

# FISCAL NOTE

**Bill #:** HB 631

**Title:** Establish coal tax trust to support education

**Primary**

**Sponsor:** Kim Gillan

**Status:** As Introduced

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Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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**Fiscal Summary**

	<b>FY2002</b>	<b>FY2003</b>
	<b><u>Difference</u></b>	<b><u>Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$589,000	\$13,881,631
State Special Revenue	\$6,390,000	\$6,435,369
<b>Transfers:</b>		
Trust Fund	0	0
<b>Revenue:</b>		
General Fund	\$(7,100,000)	\$(7,100,000)
State Special Revenue	\$6,390,000	\$6,435,369
Trust Fund	\$710,000	\$715,041
<b>Net Impact on General Fund Balance:</b>	<b>\$(7,689,000)</b>	<b>\$(20,981,631)</b>

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<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

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**Fiscal Analysis**

ASSUMPTIONS:

1. This bill would create an education trust fund within the coal tax trust. On July 1, 2001, it would transfer \$100 million from the coal severance tax permanent fund to the new education trust fund.
2. Ninety percent of the interest on the education trust fund would be deposited in a special revenue account for school entitlement payments. Ten percent would be retained in the trust fund.
3. The annual rate of return on the coal tax trust fund will be 7.1% through the biennium. Interest payments from the coal severance tax permanent fund to the general fund would be reduced by \$7.1 million in fiscal 2002 and \$7.1 million in fiscal 2003 (7.1% x \$100 million).

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4. Interest earned on the new education trust fund in fiscal 2002 would be \$7.1 million. Of this, \$6,390,000 (90% of \$7.1 million) would be deposited in the special revenue account for school entitlement payments. \$710,000 (10% of \$7.1 million) would be retained in the trust fund.
5. Interest earned on the new education trust fund in fiscal 2003 would be \$7,150,410 (7.1% x \$100,710,000). Of this, \$6,435,369 (90% of \$7,150,410) would be deposited in the special revenue account for school entitlement payments. \$715,041 (10% of \$7,150,410) would be retained in the trust fund.
6. This bill would have no administrative impacts on the Department of Revenue.
7. HB 631 increases the basic and per-ANB entitlements by 1.5% in FY2002 and by 3% in FY2003. The basic and per-ANB entitlements will be set as follows:

	<u>FY2001</u>	<u>FY2002</u>	<u>FY2003</u>
Basic entitlement EL	18,540	18,818	19,383
Basic entitlement HS	206,000	209,090	215,363
Per-ANB entitlement EL	3,763	3,819	3,934
Per-ANB entitlement HS	5,015	5,090	5,243
8. Under current law, direct state aid will be \$315.687 million in FY2002 and \$310.993 million in FY 2003. Guaranteed tax base aid paid to schools will be \$95.651 million in FY2002 and \$94.299 million in FY2003.
9. Under HB631, direct state aid will be \$320.539 million in FY2002 and \$325.546 million in FY2003. Guaranteed tax base aid paid to schools will be \$97.474 million in FY2002 and \$99.759 million in FY2003. The cost of K-12 BASE aid will increase by \$6,675,000 in FY2002 and by \$20,013,000 in FY2003 as a result of HB 631.
10. Retirement GTB will increase \$304,000 in FY2002 and FY2003.
11. Costs of entitlements in excess of the amount available in the school entitlement account will be funded with general fund.

FISCAL IMPACT:

<u>Expenditures:</u>	<u>FY2002</u>	<u>FY2003</u>
	<u>Difference</u>	<u>Difference</u>
Local Assistance – DSA	4,852,000	14,553,000
Local Assistance – GTB	<u>2,127,000</u>	<u>5,764,000</u>
Total	6,979,000	20,317,000

Transfers:

Transfer Out -CST Permanent fund	\$100,000,000	\$0
Transfer In -Education Trust fund	\$(100,000,000)	\$0

Funding:

General Fund	589,000	13,881,631
State Special – School Entitlement Account	6,390,000	6,435,369
Trust Fund – CST Permanent fund	100,000,000	0
Trust Fund – Education Trust fund	<u>(100,000,000)</u>	<u>0</u>
Total	6,979,000	20,317,000

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Revenues:

General Fund (01)	\$(7,100,000)	\$(7,100,000)
State Special – School Entitlement Account	\$6,390,000	\$6,435,369
Trust Fund – Education Trust fund	\$710,000	\$715,041

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$(7,689,000)	\$(20,981,631)
State Special – School Entitlement Account	0	0
Trust Fund – CST Permanent fund	\$(100,000,000)	0
Trust Fund – Education Trust fund	\$100,710,000	\$715,041

LONG-RANGE IMPACTS:

The balance in the education trust fund and the interest earnings would continue to grow over time as 10% of the interest is retained in the fund each fiscal year.